

**CITY OF BELLEVUE  
ENVIRONMENTAL SERVICES COMMISSION  
PUBLIC HEARING AND MEETING MINUTES**

Thursday  
October 28, 2010  
6:30 p.m.

Conference Room 1E-112  
Bellevue City Hall  
Bellevue, Washington

**COMMISSIONERS PRESENT:** Chair Helland, Commissioners Roberts, Cowan, Mach, Wang, and Swenson

**COMMISSIONERS ABSENT:** Commissioner Mahon

**OTHERS PRESENT:** Wes Jorgenson, Anne Weigle, Bob Brooks, Mayor Davidson, Brian Ward, Pam Maloney, Kit Paulsen

**MINUTES TAKER:** Laurie Hugdahl

**1. CALL TO ORDER**

Chair Helland called the meeting to order at 6:30 p.m.

**2. ORAL COMMUNICATIONS - None**

**3. APPROVAL OF AGENDA**

**Motion made by Commissioner Swenson, seconded by Wang, to approve the agenda. Motion passed unanimously (6-0).**

**4. REVIEW 2011-2012 UTILITIES BUDGET**

- **Utilities Budget Public Hearing**

**Staff Presentation:**

Anne Weigle introduced Bob Brooks and explained that she would be giving a short presentation on the budget. This would be followed by a public hearing and further budget discussion. The ESC would then finalize the rate recommendation and determine the next steps. She reviewed the BudgetOne process to date and gave an overview of the Utilities department within the city. She reviewed significant issues for the Utilities department for the next biennium. These include cost containment, rate drivers, possible changes to financial policy (reducing working capital reserves in water from 70 days to 48 days) and responding to economic conditions. Commissioner Roberts commented that the reduction in working capital reserves is actually a return to the number of days they used to have. Ms. Weigle concurred. In response to the down economy, the City Manager asked Utilities to provide rate relief to customers in 2011-12. She then reviewed what the proposed budget buys in terms of capital and operating expenses.

Cost containment efforts for the 2011-12 budget resulted in a net reduction of 11.4% in controllable operating expenses. This was achieved by reducing administrative costs, reducing the budget held for unanticipated consulting and contracting needs, and professional and consulting services. They also reduced operating reserves in the water fund for a savings of \$2.1 million with no adverse impact to customers. There were some savings recognized by removing inflation from the CIP and some one time savings on projects. Savings reflected in the Utilities proposed budget total almost \$6 million.

In response to the down economy and the City Manager's request to provide rate relief to customers, Utilities held the combined rate increase for local programs for all three utilities at CPI in 2011-12. Reducing operations by the amount needed to achieve this reduction would essentially cripple the ability of Utilities to provide essential services. Instead they chose to put the cuts where the rate drivers are, which is investment in a long-range capital program. They achieve this by removing funding for East Link utilities impacts and reducing the transfer to R&R for all funds in 2011-12. There are risks associated with this in the short term and if we return to funding to the planned contribution levels it is a tolerable thing to do. If we do not return to planned contribution levels we will be seriously underfunded in R&R in future years. There would be a rate rebound to return funding to planned contribution levels. This rate rebound is currently shown taking place in 2013. It could be smoothed out over the forecast period; however, the longer we take to return to planned contribution levels the more we will lose in interest earnings so the rate payback is larger to the customer.

She reviewed a series of slides showing the impacts of reducing R&R transfers and the costs of recovering the \$3.1 million contribution plus interest. This could be as much as \$3.6 million if the impact is spread out through 2016. A bigger issue than recovering the \$3.1 million loss is getting back on course with planned contributions as soon as possible. If we don't return to planned contributions the R&R fund would be seriously underfunded in the long-term (\$0.5 billion in the long-term). As a result the City could be facing rate spikes or reliance on debt which goes against the principle of keeping rates as smooth as possible and providing equity between the generations who will be using these assets. She then compared the proposed rate increases for water, wastewater, and stormwater with reduced funding for R&R with what those increases would look like at full funding for R&R. Impacts of the rate increases to customers were reviewed by examining a typical bill. The impacts to the typical bill with a return to R&R planned contributions levels in 2013 were also reviewed. It was noted that this would be substantial and would only get us back to the planned contribution levels at the beginning of 2013; it would not recover the \$3.1 million that was lost. Ms. Weigle then reviewed Bellevue's utility rates compared with other local jurisdictions.

## **Public Hearing:**

Chair Helland called the public hearing to order at 6:49 p.m.

## **Public Comment:**

*See 2011-12 Utilities Budget Public Comment Session Transcript*

## **Commission Discussion regarding Rate Recommendation to Council**

Commissioner Roberts stated that what was shown did not reflect the Commission's stated position as discussed at the last meeting. Mr. Jorgenson explained that the intent of this was to reflect the City Manager's position. In the ESC's recommendation to Council, it will be important for the ESC's position to be clearly outlined.

Bob Brooks distributed a copy of the ESC's draft recommendation as developed by Chair Helland in conjunction with staff. Chair Helland reviewed this with the Commission and discussed an alternate bullet point. The main message is that regardless of what the savings are, restoring the R&R fund to where it needs to be will cost more than it saves rate payers now. This goes against sound established policy for the Utilities Department in order to save a few bucks right now.

- Commissioner Roberts expressed support for the draft recommendation.
- Commissioner Wang commented that staff had proposed one more alternative of spreading out the increase after 2013 to avoid the sudden jump in rates.
- Commissioner Mach asked if the City Manager had a plan to recover the \$3.1 million. Ms. Weigle commented that they have not talked about the 2013 budget yet. She noted that this budget only reflects the 2011-12 time period. Chair Helland explained that the City's lack of addressing this issue is precisely why the Commission is concerned about it, why they requested this information, and why they want to have a plan to pay it back.
- Commissioner Roberts pointed out that as bad as the rate increase looks in 2013, the 12.5% increase does not even include recovery, it is just to bring us up to the current level of contributions. The reduction of contributions would be a short-term fix that would cost more later. This approach goes against established Utilities policy.
- Commissioner Mach pointed out that this reflects the City Manager's assumption that the Utilities R&R fund is overfunded.

Chair Helland proposed an additional sentence: *If the R&R fund can be raided for a short-term rate fix then the bar to future incursions is too low.* The Commission concurred with this addition.

**Motion made by Roberts, seconded by Commissioner Swenson, to accept the letter as written with the additions as proposed by Chair Helland. Motion passed unanimously (6-0).**

*Chair Helland excused himself at 7:08 p.m. and Vice-Chair Swenson assumed his position.*

**5. APPROVAL OF MINUTES**

- **October 7, 2010 Regular Meeting Minutes**

**Motion made by Commissioner Roberts seconded by Commissioner Mach, to approve the minutes of the October 7, 2010 Regular Meeting as presented. Motion passed unanimously (5-0)**

**6. FOLLOW-UP QUESTIONS/ANSWERS - None**

**7. REPORTS & SUMMARIES**

**a. ESC Calendar/Council Calendar – Mr. Jorgenson reviewed the calendar.**

There was some discussion about how items are brought to the ESC. Mr. Jorgenson commented that if there are items that the Commission would like to have more information about they should note during an ESC meeting. The item would be added to a future ESC agenda.

**b. Desk Packet Material (s)**

- Updated Drainage Basin Information on City Website – Mr. Jorgenson reviewed a memo in response to some ESC questions about this topic.
- Also in the packet is a memo from Denny Vidmar which recognizes the *Platinum Award for Utility Excellence* which was received by the Utilities Department.

**c. Introduction to the Comprehensive Storm & Surface Water Plan Update**

Brian Ward, Hydrologist and Storm Water Engineer, gave a PowerPoint presentation regarding the Storm and Surface Water Comprehensive Plan Update. He reviewed Bellevue's geographical position in its watershed and unique aspects of the watershed. He explained that Bellevue's stormwater system is a combination of private and public ownership encompassing 32 square miles, 79 miles of streams within the city, 26 basins, 3 small lakes, and 13 miles of large lake shorelines. The Storm and Surface Water Utility history was reviewed with the following highlights: 1974 – Utility formed; 1976- Storm and Surfacewater Advisory Committee Established; 1984 – Natural Determinants; 1983 – ESC formed; 1999 - ESA Listing; 2007- NPDES Permit; 2012 - Permit Renewal.

He reviewed documents approved by the City Council which are the guiding policies and principles for the Storm and Surface Water Utility. These included: City's Comprehensive Plan- Utilities and Environmental Elements; Comprehensive Drainage Plan (1994); Utility Financial Policies; Storm and Surface Water Code – BCC 24.06; Clear and Grade Code (DSD) – BCC 23.76; Civil Violations Code (DSD) – BCC 1.18; Engineering and Maintenance Standards.

Mr. Ward explained that everyone has a role in stormwater management. He reviewed the roles for the general public, developers, city, King County & adjacent cities, State (WSDOT, WDFW, Ecology, DNR) and Federal agencies (USACE, NOAA, EPA, FEMA, Tribes). There was a discussion about which agencies pay fees. Mr. Jorgenson thought that WSDOT was the only exception. Staff agreed to follow-up and respond about any agencies/property which do not pay drainage fees.

Mr. Ward gave an overview of Bellevue's Storm and Surface Water System. One part is the natural system. Elements of the natural system include: physical, chemical, and biological parts of the open channel system. The physical includes stream flows (runoff and the influence of detention) and habitat. He illustrated the hydrologic cycle in rural vs. urban situations, showing how development impacts runoff. He explained that the challenge to stormwater management is managing the runoff. He reviewed stream stabilization/erosion control, annual peak flows in Kelsey Creek, and in-stream habitat condition. The chemical element of the natural system includes bacteria in lakes and streams, heavy metals resulting from cars, brakes which are toxic to fish, pesticides, and temperature. He emphasized that most stormwater is not treated. For the biologic element of the natural system, the effects of stream temperature and the impacts on aquatic life were discussed.

The constructed system elements highlighted included asset management, regional detention pond network, conveyance pipes, and flood control. The City of Bellevue has 392 miles of publicly owned storm pipes. The storm conveyance system is a combination of public and private ownership. Flood protection is a major goal for the City. Bellevue's floodplain management program ranks in the top 3% nationally. The Critical Areas Ordinances and CIP investments in new culverts and regional detention facilities contribute to the high rating. Storm CIP goals and capital project examples were reviewed.

He summarized that while there is still work to do, Bellevue has done a very good job. He pointed out that our flood protection program is nationally ranked; we have met NPDES mandates; Bellevue's streams have impaired but stable water quality conditions and have strained yet functioning aquatic ecosystems. Bellevue has stressed biological indicators similar to other Puget Sound urban streams, and has a plan to replace an aging pipe network.

Mr. Ward then distributed the existing stormwater policies. In December the ESC will be seeing the draft policy updates. He solicited the Commission's comments on the public process for the update. Commissioner Roberts commented that typically the public doesn't turn out very well for ESC meetings. Ms. Maloney added that stormwater issues tend to generate more public interest than water or sewer policies. Staff wants to make sure that there is sufficient opportunity for public input. Commissioner Swenson asked how the Stormwater Comprehensive Plan relates to the overall Comprehensive Plan. Ms. Maloney explained that the Stormwater Plan points to the City's 'umbrella' Comprehensive Plan. In the Stormwater Plan there are specific policies about how to operate the stormwater system that we manage with the understanding that Utilities does not manage the land use aspect. There was discussion about the Commission's and Utilities' roles in this process. Mayor Davidson stressed that the ESC has an important voice on the Stormwater Comprehensive Plan. There was significant discussion about how to best engage the public in this process; staff will return in December with a proposed public strategy.

8. **NEW BUSINESS** - None
9. **DIRECTOR'S OFFICE REPORT** - None
10. **CONTINUED ORAL COMMUNICATIONS** - None
11. **EXECUTIVE SESSION** - None
12. **Adjournment**

**Motion made by Commissioner Roberts, seconded by Commissioner Mach, to adjourn the meeting at 8:35 pm. Motion passed unanimously (5-0).**